



Elder Financial Abuse

Los Angeles County District Attorney's Office

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Investment Scams

An investment opportunity I've received sounds too good to be true. How can I check if the person is legitimate?

One type of telemarketing scam involves fast-talking, high-pressure sales pitches on "investment opportunities."

Some offers are "pyramid schemes," which work by recruiting people to pay money to participate in an investment deal. Those at the top of the pyramid typically benefit, while the most recent investors lose out. The Federal Trade Commission reports that nearly 90 percent of investors in such schemes lose money.

Another type of scam is called a "Ponzi scheme," in which the perpetrators use early investors' money to pay back bogus profits. This encourages the investors to put up even more money and recruit others. Rather than invest the money, the perpetrator eventually disappears with it.

Warning Signs

- A salesperson offers you a business opportunity involving the sale of a product but charges you a substantial start-up fee in order to sell the merchandise or service. Most legitimate companies do not charge their sales force to sell their product.
- A salesperson invites you to invest in his company, pays you a quick return and encourages you to invite your friends to also invest.
- A claim that an investment is legal. Rarely do legitimate companies make such claims up front. They do not need to.

Prevention

- Be suspicious of any offer to make money by recruiting others, particularly combined with promises of earning huge profits while working at home with little effort. If it sounds too good to be true, it probably is.

- Do not be pressured into investing in a business, especially if you are asked for a large initial investment.
- Before signing a contract or writing a check, consider consulting with a trusted family member, friend or financial adviser.
- Be wary of Internet investing with a company you don't know. It can be extremely difficult to trace where your money went, especially if the website disappears.
- Screen your phone calls, do not give anyone personal and financial information over the phone and add your phone number to the national Do Not Call registry by visiting its website (www.donotcall.gov) or calling (888) 382-1222.

To check if investment and securities brokers, financial planners, credit counselors, escrow companies and residential mortgage lenders are licensed, visit the Department of Business Oversight website (<http://www.dbo.ca.gov>) or call (866) ASK-CORP ((866) 275-2677). You also may visit the Securities and Exchange Commission's website (www.sec.gov) or call (800) 732-0330 and the Financial Industry Regulatory Authority website (www.finra.org) or call (800) 289-9999.

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